

COMMONWEALTH OF KENTUCKY
OFFICE OF FINANCIAL INSTITUTIONS
Case No. S-04-026

OFFICE OF FINANCIAL INSTITUTIONS OF THE
COMMONWEALTH OF KENTUCKY

PETITIONER

v.

AGREED ORDER

Mike Goetz
689 Winterhill Lane
Lexington, Kentucky 40509

and

Team Victory Stables Elnadim, LLC
689 Winterhill Lane
Lexington, Kentucky 40509

and

Team Victory Stables Arch Madness, LLC
689 Winterhill Lane
Lexington, Kentucky 40509

RESPONDENTS

Upon agreement of the Petitioner and Respondents, the Executive Director of the Office of Financial Institutions ("Office") approving, and the Executive Director being duly and sufficiently advised, the Executive Director finds and orders as follows:

1. Pursuant to KRS 292.500(1) and 292.500(3), the Commissioner ("Commissioner") of the Department ("Department") of Financial Institutions, and the Deputy Commissioner ("Deputy") of the Department, in his or her absence, is charged with the administration and enforcement of KRS Chapter 292, the Securities Act of Kentucky, ("Act").

2. Pursuant to the authority of Executive Order 2004-031, entered January 6, 2004, by Governor, Ernie Fletcher, the powers and responsibilities of the Department to

carry out and enforce the Act are now vested in the Office of Financial Institutions of the Commonwealth of Kentucky ("Office") and the powers and responsibilities of the Commissioner and the Deputy are now vested in the Executive Director of the Office.

3. During portions of the investigation of this matter, said power and responsibility has been in the hands of the Commissioner and/or the Deputy as well as the Executive Director.

4. The Executive Director has affirmed all the acts of the Commissioner and/or the Deputy in this matter as applicable. All are in agreement on all matters in handling this matter.

5. Consequently, the Executive Director may act in the place of the Commissioner and Deputy in this action, and does, and this action is now brought by the Office of Financial Institutions rather than the Department of Financial Institutions under the direction and approval of the Executive Director rather than the Commissioner or the Deputy.

Factual Background and Circumstances

6. Mike Goetz, managing member of Team Victory Stables Elnadim, LLC ("Elnadim") and Team Victory Stables Arch Madness, LLC ("Arch Madness") met with staff Investigator, Chad Harlan, on March 29, 2004, to discuss the sale of membership interests in LLC's that would own one or several Thoroughbred Horses. The reason for the meetings was because he (Goetz) was advertising such interests on road side signs and on the internet. At that time, he provided the Division of Securities with an Operating Agreement for Elnadim. Mr. Goetz stated that there are 12 Members in the company and that he initially raised approximately \$62,000 to purchase a Horse for the

LLC. Subsequent to the initial investment, the members are required to contribute to on-going expenses. Goetz estimated that in total, \$92,000 had been raised.

7. After reviewing the Operating Agreement it was determined that the Managing Member (Mike Goetz) has the ability at his sole discretion to take all actions on behalf of the LLC including, but not limited to, the liquidation and dissolution of the LLC. The Operating Agreement for Arch Madness is substantially similar to Elnadim.

8. It is the position of the Division that these Memberships are securities.

9. No filing has been made with the division to register, claim an exemption, or notify the Division of the securities offering. This places Mr. Goetz and the LLC's in violation of the registration provisions of the Securities Act of Kentucky ("Act") as well as the disclosure provisions of KRS 292.320(1) to the extent he did not use a prospectus or offering circular.

10. Mr. Goetz has indicated that the companies do not operate this way in practice and therefore he is willing to enter into settlement talks to bring his operations into compliance with the Act. He has further indicated that he has sold no securities other than the membership interests in Elnadim and Arch Madness.

11. The Division is willing to accept a settlement under certain terms if Goetz is willing to bring himself and any entities he controls into compliance with the Act and if he is willing to offer full rescission to the current investors in all securities he has sold. Goetz has expressed a willingness to do so.

12. In light of the lack of scienter on the part of Goetz and his willingness and eagerness to correct his error, it is not in the public interest to bring a formal action

against him provided he is willing to enter into an agreed order to do those things he has undertaken to do.

Accordingly, **IT IS AGREED** that

1. Respondents shall at all times act in compliance with the Act.
2. Respondents shall submit, in writing, to the staff of the Securities Division for review before they make any future offers or sales, their proposed method for achieving compliance with the Act. However, Respondents shall **NOT** voice to the public that such review of the writing constitutes an official endorsement of this business venture by the Division of Securities or the Commonwealth of Kentucky.
3. Respondents shall make offers of rescission to the members who purchased interests in Team Victory Stables Elnadim, LLC and Team Victory Arch Madness, LLC. Such offers shall be held open for no less than *thirty* (30) days and shall offer each investor/member a full refund of all amounts invested in the entity together with interest on the unpaid principal at 8% per annum from the date of the investment until the time such amount of investment is repaid in full. Acceptances of the offers of restitution set forth in this paragraph may be conditioned on the recipients each providing the Respondents with a release of any and all claims they may have against them.
4. Respondents shall communicate their offers of rescission to all investors/members. Respondents shall provide the Department with a written summary report as to the results of the offers of rescission, including copies of all documentation of the offer, and whether each investor/member ultimately accepts or rejects the offer of restitution.

AGREED TO this the 27 day of May, 2004.

by MhJ 5-28-04 MhJ 5-28-04
Team Victory Stables Elnadim, LLC Date Mike Goetz Date

by MhJ 5-28-04 MhJ 5-28-04
Team Victory Stables Date Mike Goetz Date
Arch Maddness, LLC

ACKNOWLEDGEMENT

County of: Fayette

State of Kentucky

On this 28 day of May, 2004, Mike Goetz personally appeared before me and acknowledged to me that he is authorized to execute this Undertaking on behalf of Team Victory Stables Elnadim, LLC, and Team Victory Stables Arch Madness, LLC and that he freely signed this Undertaking on behalf of the entities and on behalf of himself in his personal capacity.

Elizabeth A. Cornn
Notary Public

My Commission Expires: 12-4-2005

HAVE SEEN AND AGREED TO:

Attorney for Respondents (if applicable) Date

Accordingly, **IT IS ORDERED** that

1. Respondents shall at all times act in compliance with the Act.
2. Respondents shall submit, in writing, to the staff of the Securities Division for review before they make any future offers or sales, their proposed method for achieving compliance with the Act. However, Respondents shall **NOT** voice to the

public that such review of the writing constitutes an official endorsement of this business venture by the Division of Securities or the Commonwealth of Kentucky.

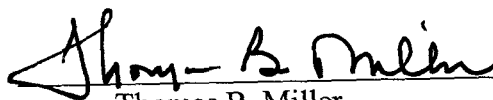
3. Respondents shall make offers of rescission to the members who purchased interests in Team Victory Stables Elnadim, LLC and Team Victory Arch Maddness, LLC. Such offers shall be held open for no less than *thirty* (30) days and shall offer each investor/member a full refund of all amounts invested in the entity together with interest on the unpaid principal at 8% per annum from the date of the investment until the time such amount of investment is repaid in full. Acceptances of the offers of restitution set forth in this paragraph may be conditioned on the recipients each providing the Respondents with a release of any and all claims they may have against them.

4. Respondents shall communicate their offers of rescission to all investors/members. Respondents shall provide the Department with a written summary report as to the results of the offers of rescission, including copies of all documentation of the offer, and whether each investor/member ultimately accepts or rejects the offer of restitution.

5. Unless another deadline is stated, all undertakings herein shall have their deadlines measured to begin running as of the entry date of this Agreed Order.

This is a final and appealable order.

ENTERED this the 21st day of June, 2004.

A handwritten signature in black ink, appearing to read "Thomas B. Miller", is written over a horizontal line.

Thomas B. Miller
Executive Director
Office of Financial Institutions
1025 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
(502) 573-3390